

Message Text

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ACTION EA-14

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COMMERCE FOR BIC/MAJOR PROJECTS DIVISION

E.O. 11652: N/A

TAGS : ENRG, TH

SUBJECT : MAJOR PROJECTS: USAEC POLICY ON ENRICHING
SERVICES MAY JEOPARDIZE U.S. SALE OF
NUCLEAR REACTORS

1. SUMMARY. HIGHLY PROMISING U.S. SALE TO THAILAND OF TWO
NUCLEAR POWER PLANTS WITH TOTAL FOREIGN EXCHANGE COSTS ESTIMATED
AT \$380 MILLION MAY BE JEOPARDIZED BY RECENTLY ANNOUNCED
POLICY OF U.S. ATOMIC ENERGY COMMISSION ON FUTURE SALES
OF ENRICHED URANIUM REQUIREING EIGHT YEARS' ADVANCE COMMITMENT.
THAI PURCHASING AUTHORITY WHICH HAD PLANNED TO ISSUE
INVITATIONS TO BID IN APRIL, THROWN INTO GREAT STATE OF
UNCERTAINTY BY USAEC REQUIREMENTS. HOPES THAT EXCEPTION
CAN BE MADE FOR THAILAND, AN ACTION THAT EMBASSY REGARDS AS
FULLY WARRANTED AND THAT IT STRONGLY URGES. THAI PURCHASING
AUTHORITIES ARE AUTHORIZED AND PREPARED TO RE-NEGOTIATE
ATOMIC ENERGY BILATERAL WITH U.S. END SUMMARY.

2. DURING USAEC'S REGIONAL SCIENTIFIC REPRESENTATIVE'S
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RECENT VISIT TO BANGKOK, AMBASSADOR WAS GIVEN CURRENT STATUS OF

PLANNING FOR NUCLEAR POWER PLANT PURCHASES AND WAS INFORMED FOR FIRST TIME OF PROBLEMS CAUSED BY USAEC POLICY WHICH REQUIRES ORDERS FOR ENRICHED URANIUM TO BE PLACED AT LEAST EIGHT YEARS BEFORE DELIVERY, UNLESS APPLICATION AND INITIAL DOWN PAYMENT INSTALLMENT IS MADE PRIOR TO JUNE 30, 1974. THE ADVERSE IMPLICATION OF THIS POLICY WAS MADE PATENTLY OBVIOUS TO MISSION'S COMMERCIAL ATTACHE WHO ACCOMPANIED USAEC REPRESENTATIVE OF CALLS ON RESPONSIBLE THAI OFFICIALS.

3. SPECIFICATIONS FOR FIRST TWO PLANTS NOW BEING COMPLETED, WITH ELECTRICITY GENERATING AUTHORITY OF THAILAND (EGAT) CURRENTLY CONDUCTING SPECIFICATIONS REVIEW WITH INTERESTED VENDORS, INCLUDING PARTICULARLY GE AND WESTINGHOUSE. EGAT EXPECTS TO ISSUE TENDERS IN APRIL. SPECIFICATIONS WILL CALL FOR LIGHT WATER REACTORS, WHICH WILL REQUIRE ENRICHED URANIUM WITH DELIVERY COMMENCING 18 MONTHS PRIOR TO REACTORS GOING ON LINE. START-UP TIME OF FIRST REACTOR IS SCHEDULED FOR 1981, AND 1983 FOR SECOND, BOTH THUS REQUIRING DELIVERIES IN LESS THAN EIGHT YEARS.

4. WITH TENDERS TO BE ISSUED NEXT MONTH, AND SIX MONTHS ALLOWED FOR BID PREPARATION, ANOTHER SIX MONTHS FOR EVALUATION OF BIDS, AND ANOTHER THREE TO SIX MONTHS FOR NEGOTIATING AND ARRANGING FINANCING, EGAT IS AIMING AT THIRD QUARTER OF 1975 FOR ISSUING LETTER OF INTENT AND SIGNING CONTRACT. BIDS, CONSEQUENTLY, WILL NOT HAVE BEEN RECEIVED PRIOR TO USAEC'S DEADLINE, AND EGAT WILL BE LONG WAY FROM KNOWING JUST WHAT KIND OF REACTOR IT WILL BE BUYING OR WHO THE SUPPLIER WILL BE.

5. SPECS WILL CALL FOR PLANTS WITH 600 MW NET CAPACITY, OR APPROXIMATELY 630 MW GROSS CAPACITY. FIRST YEAR DOWN PAYMENT ON ENRICHED URANIUM FOR FIRST PLANT WOULD THUS BE AN ESTIMATED \$750,000. ALTHOUGH EGAT SHOULD HAVE NO DIFFICULTY IN RAISING THIS AMOUNT BY JUNE 30, EGAT GENERAL MANAGER IS GENUINELY AND SERIOUSLY CONCERNED ABOUT POLITICAL PROBLEM HE WILL FACE IN JUSTIFYING TO RTG AND LOCAL PUBLIC OPINION THE NECESSITY OF MAKING LONG-TERM COMMITMENT AND DOWN PAYMENT OF THIS MAGNITUDE BEFORE EVEN BEING ABLE TO REQUEST GOVERNMENT APPROVAL FOR PURCHASE OF SELECTED POWER PLANT. MANAGING LIMITED OFFICIAL USE

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DIRECTOR SAYS HE DOES NOT WANT TO CHANGE HIS PLANS OR TIMING, BUT MAY HAVE NO CHOICE. HE SEEMS TO UNDERSTAND USAEC RATIONALE IN REQUIRING EIGHT YEAR ADVANCE COMMITMENTS AND DOWN PAYMENT, I.E., REQUIRED LEAD TIME AND COST OF EXPANDING ENRICHING CAPACITY IN U.S., BUT IN RESPONSE TO OUR PITCH SAYS THAT DOES NOT SOLVE HIS POLITICAL PROBLEMS. HE STRONGLY URGES USAEC TO MAKE AN EXCEPTION IN THAILAND'S CASE BECAUSE OF THE SPECIAL CIRCUMSTANCES THAT PERTAIN.

6. PURCHASING ENRICHED URANIUM FOR USE IN NUCLEAR POWER REACTOR, AS OPPOSED TO RESEARCH REACTOR, WILL ALSO NECESSITATE MODIFICATION OF US-THAI BILATERAL AGREEMENT ON PEACEFUL USES OF ATOMIC ENERGY, AND REPS FROM EGAT AND OFFICE OF ATOMIC ENERGY FOR PEACE WILL LEAVE FOR WASHINGTON APRIL 29 TO BEGIN NEGOTIATIONS WITH USAEC ON APRIL 30. OAEP SECRETARY GENERAL STATES HE HAS JUST OBTAINED GOVERNMENTAL APPROVAL TO NEGOTIATE NEW OR MODIFIED BILATERAL AGREEMENT, WHICH WOULD PRESUMABLY BE SIGNED BY THAI AMBASSADOR IN WASHINGTON. RATIFICATION WILL ALSO HAVE TO BE COMPLETED PRIOR TO ORDERING URANIUM ENRICHING SERVICES.

7. CONVERSATIONS WITH EGAT OFFICIALS INDICATE CLEARLY THAT WESTINGHOUSE'S PWR REACTOR, AND GE'S BWR REACTOR ARE CURRENTLY IN FAVORED POSITIONS AS SUPPLIERS. GERMANY'S KRAFTWERKE UNION WOULD ALSO BE CONTENDER, BUT REPORTEDLY HAS NOT MADE UP ITS MIND WHETHER TO BID. MITSUBISHI OF JAPAN IS REPORTEDLY INTERESTED IN BIDDING, BUT THIS WOULD BE ITS FIRST ATTEMPT TO BUILD ONE ON ITS OWN, AND EGAT SEEMS CHARY OF IDEA. U.S. BABCOCK & WILCOX AND COMBUSTION ENGINEERING ARE REPORTEDLY NOT INTENDING TO BID, AT LEAST NOT WITHOUT A PARTNER. GULF GENERAL ATOMIC'S HTGR REACTOR WOULD NOT MEET SPECIFICATIONS IN EGAT'S VIEW.

8. IF EGAT GENERAL MANAGER FEELS FORCED TO CHANGE HIS PLANS, ALTERNATIVES COULD INCLUDE TAKING CHANCE ON OBTAINING ENRICHED URANIUM, WITH LESS LEAD TIME, FROM WESTERN OR EASTERN EUROPE, OR IT COULD INCLUDE SHIFTING TO NON-LIGHT WATER REACTOR, SUCH AS CANADA'S HEAVY WATER REACTOR. IN EITHER CASE CHANCES OF U.S. COMPANY WINNING BID WOULD BE GREATLY DIMINISHED OR PERHAPS LOST COMPLETELY.

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9. EMBASSY STRONGLY BELIEVES THAT CIRCUMSTANCE DESCRIBED ABOVE WARRANT DEPARTMENT ACTION TO PREVAIL UPON USAEC TO MAKE EXCEPTION AND EXTEND DEADLINE FOR EGAT'S APPLICATION.

10. LETTER FROM AMBASSADOR EXPRESSING HIS CONCERN OVER POSSIBLE THREAT TO THIS CONTRACT WILL FOLLOW THIS TELEGRAM, PARTICULARLY IN LIGHT RTG RECENT FOREIGN POLICY EMPHASIS ON ECONOMIC ASPECTS OF OUR BILATERAL RELATIONS AND OUR INABILITY SO FAR TO BE RESPONSIVE IN ANYTHING BUT SCRAP IRON TO RTG SPECIFIC REQUESTS FOR PROCUREMENT ASSISTANCE.

11. I MUST ALSO REGISTER MY CONCERN OVER THE FACT THAT THIS MATTER WAS HANDLED DIRECTLY BETWEEN THE USAEC AND EGAT, WITH THE EMBASSY COMPLETELY LEFT OUT. IF WE ARE TO AVOID FOREIGN POLICY PROBLEMS BETWEEN THAILAND AND THE

UNITED STATES AND IF I AM TO CARRY OUT MY ESSENTIAL FUNCTION
OF COORDINATING ALL U.S. ACTIVITIES HERE, THEN I SHOULD BE
INFORMED ABOUT SUCH CONTACTS BY ELEMENTS OF THE U.S.
GOVERNMENT.
KINTNER

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